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**LIVINGSTON PARISH
WARD TWO WATER DISTRICT
DENHAM SPRINGS, LOUISIANA**

General Purpose Financial Statements
and Independent Auditor's Reports

As of and for the Years Ended December 31, 2000 and 1999
With Supplemental Information Schedules

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6-6-01

TABLE OF CONTENTS

	<u>Note</u>	<u>Page</u>
Independent Auditor's Report		4
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		5
General Purpose Financial Statements: As of and for the Year Ended December 31, 2000 and 1999		
Combined Balance Sheets	A	6-7
Statements of Revenues, Expenses, and Changes in Retained Earnings	B	8-9
Statements of Cash Flows	C	10
Notes to the Financial Statements		
Summary of Significant Accounting Policies	1	11
Fund Accounting - Proprietary Fund Type	A	11
Fixed Assets and Long-Term Liabilities	B	11
Basis of Accounting	C	12
Cash	D	12
Inventory	E	13
Budget Policy	F	13
Use of Estimates	G	13
Investments	2	13
Accounts Receivable	3	13
Reserve Requirements	4	14
Reserve Bond Sinking Fund	A	14
Revenue Bond Reserve Fund	B	14
Depreciation and Contingency Fund	C	14
Changes in General Fixed Assets	5	15
Changes in Long-Term Debt	6	16
\$4,225,000 Revenue Parity Bonds of 1994	A	16
\$255,000 Unrefunded Waterworks Revenue Refunding Bonds	B	16
\$2,616,573 DEQ Loan	C	16
Contributed Capital	7	17
Per Diem Paid to Board Members	8	18
Income Taxes	9	19
Litigation	10	19
Retirement Plan	11	19

Supplemental Information:

Schedule of Findings and Questioned Costs	21-22
Management's Corrective Action Plan for Current Year	
Audit Findings	23

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Livingston Parish Ward Two Water District
Denham Springs, Louisiana

I have audited the accompanying general purpose financial statements of **Livingston Parish Ward Two Water District**, Denham Springs, Louisiana, component unit of Livingston Parish Government, as of and for the years ended December 31, 2000 and 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of Livingston Parish Ward Two Water District's management. My responsibility is to express an opinion on these general purpose financial statements based on my audits.

I conducted my audits in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Legislative Auditor. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Livingston Parish Ward Two Water District as of December 31, 2000 and 1999, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued a report dated March 23, 2001, on my consideration of Livingston Parish Ward Two Water District's internal control structure and a report dated March 23, 2001, on its compliance with laws and regulations.

Leroy J. Chustz

Leroy J. Chustz
Certified Public Accountant, APAC
March 23, 2001

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Livingston Parish Ward Two Water District
Denham Springs, Louisiana**

I have audited the financial statements of **Livingston Parish Ward Two Water District**, Denham Springs, Louisiana, a component unit of Livingston Parish Government, as of and for the year ended December 31, 2000, and have issued my report thereon dated March 23, 2001. I conducted my audit in accordance with generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Livingston Parish Ward Two Water District's financial statements are free of material misstatement, I performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audits, I considered Livingston Parish Ward Two Water District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of Livingston Parish Ward Two Water District's management, pass-through entities, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Leroy J. Chustz

Leroy J. Chustz
Certified Public Accountant, APAC
March 23, 2001

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, Louisiana

BALANCE SHEETS
December 31, 2000 and 1999

ASSETS

	<u>2000</u>	<u>1999</u>
CURRENT ASSETS		
Cash and cash equivalents	\$1,785,198	\$ 363,330
Accounts receivable (net)	135,104	112,104
Unbilled water sales	122,223	94,894
Prepaid insurance	49,362	43,375
Inventory	<u>87,592</u>	<u>94,023</u>
Total current assets	2,179,479	707,726
RESTRICTED ASSETS		
Revenue bond sinking fund	156,921	151,406
Revenue bond reserve fund	340,109	339,389
Depreciation and contingency fund	340,109	339,389
Investment designated for customer deposits	244,051	224,278
Savings designated for customer deposits	<u>94,779</u>	<u>69,180</u>
Total restricted assets	1,175,969	1,123,642
PROPERTY, PLANT, AND EQUIPMENT, AT COST		
Land	127,415	46,315
Construction in progress	1,780,613	659,875
Plant, facilities and equipment (net)	<u>6,224,204</u>	<u>5,407,583</u>
Total property, plant, and equipment	8,132,232	6,113,773
OTHER ASSETS		
Deposits	<u>375</u>	<u>375</u>
TOTAL ASSETS	<u>\$11,488,055</u>	<u>\$7,945,516</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, Louisiana

BALANCE SHEETS
December 31, 2000 and 1999

LIABILITIES AND FUND EQUITY

	<u>2000</u>	<u>1999</u>
CURRENT LIABILITIES		
Accounts payable	\$ 46,915	\$ 53,573
Taxes payable	6,933	4,475
Accrued salaries and leave	10,208	23,504
Accrued Interest Payable - current portion	21,490	1,800
Bond payable - current portion	17,000	16,000
Customer deposits	<u>80,675</u>	<u>93,177</u>
Total current liabilities	183,221	192,529
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Accrued interest payable	55,441	55,700
Bonds payable	120,000	115,000
Customer deposits	<u>338,830</u>	<u>293,458</u>
Total current liabilities (payable from restricted assets)	514,271	464,158
LONG-TERM LIABILITIES		
Bond payable	<u>6,405,733</u>	<u>3,904,908</u>
Total long-term liabilities	<u>6,920,004</u>	<u>3,904,908</u>
Total liabilities	<u>7,103,225</u>	<u>4,561,595</u>
FUND EQUITY		
Retained earnings reserved for revenue bond retirement	484,559	490,794
Retained earnings reserved for system repairs and improvements	338,669	339,389
Contributed capital	479,781	479,781
Retained earnings unreserved, undesignated	<u>3,081,821</u>	<u>2,073,957</u>
Total retained earnings	<u>4,384,830</u>	<u>3,383,921</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$11,488,055</u>	<u>\$7,945,516</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, Louisiana

**STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS**
For the Years Ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
<u>OPERATING REVENUES</u>		
Water sales	\$2,224,778	\$1,834,620
Water tap fees	196,902	163,425
Sewer maintenance fees and charges	28,983	25,142
Check valve charges	<u>51</u>	<u>340</u>
Total operating revenues	<u>2,450,714</u>	<u>2,023,527</u>
<u>OPERATING EXPENSES</u>		
DIRECT EXPENSES		
Depreciation	235,736	220,879
Electricity	137,384	130,271
Equipment operation and maintenance	54,055	61,423
System maintenance	203,007	176,168
Meter reading	75,336	69,872
Small tools and supplies	<u>7,526</u>	<u>1,579</u>
Total direct expenses	<u>713,044</u>	<u>660,192</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and Benefits	443,982	420,033
Payroll taxes and group insurance	52,737	54,698
Insurance	64,826	48,897
Interest	295,432	266,310
Office expense	52,749	45,621
Professional fees	36,558	62,861
Telephone	18,708	15,226
Per diem	3,720	3,780
Bad debt expense	757	25
Miscellaneous	<u>18,843</u>	<u>14,861</u>
Total general and administrative expenses	<u>988,312</u>	<u>932,312</u>

(Statement B continued on next page.)

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, LouisianaSTATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
For the Years Ended December 31, 2000 and 1999

	<u>2000</u>	<u>1999</u>
Total operating expenses	<u>\$1,701,356</u>	<u>\$1,592,504</u>
<u>NET OPERATING INCOME (LOSS)</u>	<u>749,358</u>	<u>431,023</u>
<u>NON-OPERATING INCOME</u>		
Special Services	46,865	28,840
Forfeited discounts	37,590	33,660
Interest	111,381	70,223
Miscellaneous	54,484	10,344
Gain (Loss) on sale of fixed assets	<u>1,231</u>	<u>0</u>
Total non-operating income	251,551	143,067
<u>NET INCOME (LOSS)</u>	<u>1,000,909</u>	<u>574,090</u>
<u>RETAINED EARNINGS AT BEGINNING OF YEAR</u>	<u>3,383,921</u>	<u>2,762,567</u>
ADJUSTMENT (SEE NOTE 12)		47,264
<u>RETAINED EARNINGS AT END OF YEAR</u>	<u>\$4,384,830</u>	<u>\$3,383,921</u>

See accompanying notes to the financial statements.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, Louisiana

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2000 and 1999
Increase (Decrease) in Cash and Cash Equivalents

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Operating income (loss)	\$ 749,358	\$ 431,023
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	235,736	220,879
Amortization	21,252	21,252
(Increase) decrease in accounts receivable	(23,001)	(24,504)
(Increase) decrease in unbilled water sales	(27,328)	(1,894)
(Increase) decrease in prepaid expenses	(5,987)	(2,683)
Increase (decrease) in accounts payable	(6,659)	7,729
Increase (decrease) in accrued liabilities	<u>49,125</u>	<u>38,959</u>
Net cash provided (used) by operating activities	<u>992,496</u>	<u>690,761</u>
Cash flows from investing activities:		
Cash payments for acquisition of property	(2,254,195)	(850,203)
Investment in Edward D. Jones	<u>(19,773)</u>	<u>(9,304)</u>
Net cash provided (used) by investing activities	<u>2,273,968</u>	<u>(859,507)</u>
Cash flows from capital financing activities:		
Principal payments	(131,000)	(250,000)
Delinquent charges	46,865	28,840
Forfeited discounts	37,590	33,660
Interest	111,381	70,223
Miscellaneous revenue	54,484	10,344
Proceeds from Debt Obligations	<u>2,616,573</u>	<u>-0-</u>
Net cash provided (used) by capital financing activities	<u>2,735,893</u>	<u>(106,933)</u>
Net increase (decrease) in cash and equivalents	1,454,421	<u>(275,679)</u>
Cash and cash equivalents, beginning of year	<u>1,262,694</u>	<u>1,538,373</u>
Cash and cash equivalents, end of year	<u><u>\$2,717,115</u></u>	<u><u>\$1,262,694</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 255,532	\$ 246,300
Income taxes	-0-	-0-

See accompanying notes to the financial statements.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Denham Springs, Louisiana
Notes to the Financial Statements
For the Years Ended December 31, 2000 and 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ward Two Water District, Denham Springs, Louisiana, was created by the Livingston Parish Police Jury (now the Livingston Parish Council) on August 23, 1975, pursuant to the provisions of R.S. 33:3811, et. seq., of the Louisiana Revised Statutes of 1950.

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. In November of 1984, the GASB issued a codification of governmental accounting and financial reporting standards. This codification is recognized as generally accepted accounting principles for state and local government. The District has elected to apply FASB statements issued after November 30, 1989.

GASB Codification Section 2100 established criteria for determining the governmental reporting entity and component units which should be included within the reporting entity. The reporting entity for Livingston Parish includes the component unit with oversight responsibility, and other governmental entities within the parish for which the Council has oversight responsibility. Oversight responsibility is determined on the basis of the following criteria:

1. Financial interdependency
2. Selection of governing authority
3. Designation of management
4. Ability to significantly influence operations
5. Accountability for fiscal matters
6. Scope of public service
7. Special financing relationship

Based on the previous criteria, the Livingston Parish Council has determined that Ward Two Water District is part of the reporting entity based on Criteria 2, 4, and 6.

The accounting policies of Ward Two Water District conform to generally accepted accounting principles. The following is a summary of the significant policies.

A. *FUND ACCOUNTING - PROPRIETARY FUND TYPE*

The Ward Two Water District is an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determinations of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

B. *FIXED ASSETS AND LONG-TERM LIABILITIES*

All fixed assets are valued at historical costs. It is the policy of the water District to capitalize interest costs incurred during the period of construction. No interest costs have been capitalized during the years 2000 and 1999.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement

LIVINGSTON PARISH WARD TWO WATER DISTRICT

Notes to the Financial Statements, Continued

December 31, 2000 and 1999

focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary funds balance sheets or notes to the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives for plant and facilities is forty years, seven years for equipment, and four years for vehicles.

C. ***BASIS OF ACCOUNTING***

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenses are recognized when they are incurred.

D. ***CASH***

Cash includes demand deposits and interest bearing demand deposits which are fully secured through the pledge of bank-owned securities or federal deposit insurance. For purposes of the statement of cash flows, the Water District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. At December 31, 2000 and 1999, the District has cash and cash equivalents (book balances) totaling \$2,792,115 and \$1,332,035 respectively as follows:

	December 31,	
	2000	1999
Cash on hand	\$ 650	\$ 400
Demand deposits	561,262	92,849
Time deposits	<u>2,230,203</u>	<u>1,238,786</u>
Total	<u>\$2,792,115</u>	<u>\$1,332,035</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposits (bank balances) at December 31, 2000 and 1999, are secured as follows:

5 " • LIVINGSTON PARISH WARD TWO WATER DISTRICT
 - Notes to the Financial Statements, Continued
 - December 31, 2000 and 1999

	December 31,	
	2000	1999
Bank balances	<u>\$ 3,027,202</u>	<u>\$ 1,443,487</u>
Federal deposit insurance	\$ 375,000	\$ 333,108
Pledged securities	<u>2,652,202</u>	<u>1,110,379</u>
Total insurance and securities	<u>3,027,202</u>	<u>1,443,487</u>
Unsecured deposits at 12/31	<u>\$ -0-</u>	<u>\$ -0-</u>

Deposits are collateralized with securities held by the pledging financial institution's trust department or agent, in the District's name.

E. ***INVENTORY***

The District follows FASB Pronouncements to account for supply inventory. Inventory is valued at cost using the first in first out method.

F. ***BUDGET POLICY***

Each year the District adopts an annual operating cash basis budget. Periodic comparisons of budget to actual data are made. The budget is amended as required by the circumstances. Encumbrance accounting is not utilized. Appropriations lapse at year end.

G. ***USE OF ESTIMATES***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. **INVESTMENTS**

A summary of investments is as follows:

	December 31,	
	2000	1999
Cost	\$244,051	\$158,582
Market	\$245,765	\$158,350

3. **ACCOUNTS RECEIVABLE**

Customer accounts receivable are as follows:

	2000	1999
Accounts receivable (gross)	\$136,277	\$113,019
Insufficient funds checks receivable	1,656	1,814
Other	-0-	100
Less: Allowance for uncollectible accounts	<u>(2,829)</u>	<u>(2,829)</u>
Accounts receivable (net)	<u>\$135,104</u>	<u>\$112,104</u>

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 2000 and 1999

4. **RESERVE REQUIREMENTS**

The District is required to maintain the following reserves as a condition of the loans made to the water District and/or bond covenants.

A. ***RESERVE BOND SINKING FUND***

The funding of the "Sinking Fund" (hereinafter called the "Sinking Fund") amounts sufficient to pay when due the principal of and interest on the Bonds, Unrefunded Bonds and Parity Bonds issued as hereafter provided by this Resolution. On or before the 20th day of each month there shall be transferred from the Revenue Fund to the Sinking Fund, (i) beginning on December 20, 1993, a sum equal to one-fourth (1/4) of the interest falling due on the next interest payment date and beginning April 20, 1994, and thereafter, a sum equal to one-sixth (1/6) of the interest falling due on the next interest payment date, and (ii) beginning April 20, 1994, and thereafter, a sum equal to one-twelfth (1/12) of the principal falling due on the next principal payment date, together with such additional proportionate sum, if any, as may be required to pay said principal and interest as the same respectively become due.

B. ***REVENUE BOND RESERVE FUND***

The funding of a "Reserve Fund" (the "Reserve Fund"), in the amount of not less than the Reserve Requirement, (\$335,143), with an initial deposit as provided in the Supplemental Resolution at the time of delivery of the Bonds and subsequent annual deposits in the Reserve Fund of one-fifth (1/5th) of the amount required to establish and maintain the Reserve Requirement in the Reserve Fund within a period of five (5) years; provided that if any monies are withdrawn from the Reserve Fund to pay principal and /or interest on the Bonds, Unrefunded Bonds or Parity Bonds, such monies shall be restored from monies remaining in the Revenue Fund, after making the payments required by paragraphs (a) and (b) of this Section. Monies in the Reserve Fund may be appropriated and expended from time to time by the Board solely for the purpose of paying principal of and interest on the Bonds, Unrefunded Bonds and Parity Bonds payable from the Sinking Fund as to which there would otherwise be a default.

C. ***DEPRECIATION AND CONTINGENCY FUND***

The funding of a "Depreciation and Contingency Fund" (the "Depreciation and Contingency Fund") by transferring from the Revenue Fund on or before the 20th day of each month, commencing with the first full month after delivery of the Bonds, after making the deposits referred to in (a), (b) and (c) above, a sum equal to 5% of Gross Revenues of the System, until such time as the Depreciation and Contingency Fund contains \$335,143. All monies in the Depreciation and Contingency Fund may be drawn on and used by the District for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, replacements and extensions to the System; and the costs of improvements to the System which will either enhance its revenue-producing capacity or provide a higher degree of service. In the event the available balances in the Sinking Fund or the Reserve Fund are deficient, monies on deposit in the Depreciation and Contingency Fund shall be transferred in such amounts as are necessary to eliminate the deficiencies, respectively, in the Sinking Fund and the Reserve Fund. If at any time it shall be necessary to use monies in the Depreciation and Contingency Fund provided for the purpose of paying principal of or interest on Bonds, Unrefunded Bonds or Parity Bonds payable from the Sinking Fund or the Reserve Fund as to which there would otherwise be default, then the monies so used shall be replaced from the revenues first thereafter received which are not herein above required to be used for current expenses or for Sinking Fund and Reserve Fund requirements, it being the intention hereof that

LIVINGSTON PARISH WARD TWO WATER DISTRICT

Notes to the Financial Statements, Continued

December 31, 2000 and 1999

there shall be on deposit in the Depreciation and Contingency Fund at all times, as nearly as possible, the amount herein specified.

The general obligation bonds are secured by an authorized ad valorem tax. The District has not levied the ad valorem tax, but has paid the general obligation bond requirements out of operating revenues.

5. CHANGES IN GENERAL FIXED ASSETS

The following is a summary of changes in fixed assets.

	BALANCE <u>12/31/98</u>	ADDITIONS	DELETIONS	BALANCE <u>12/31/99</u>
Land	<u>\$ 46,315</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 46,315</u>
Buildings	\$ 169,351	\$ -0-	\$ -0-	\$ 169,351
Capital lease assets	64,404	-0-	-0-	64,404
Equipment	288,138	47,041	-0-	355,179
Furniture and fixtures	12,648	-0-	-0-	12,648
Vehicles	135,353	-0-	-0-	135,353
Plant and facilities	<u>6,774,221</u>	<u>289,701</u>	<u>-0-</u>	<u>7,063,922</u>
Total	<u>\$7,444,115</u>	<u>\$336,742</u>	<u>\$ -0-</u>	<u>\$7,780,857</u>
Less: Accumulated depreciation				2,373,274
Plant and facilities (net)				<u>\$5,407,583</u>

	BALANCE <u>12/31/99</u>	ADDITIONS	DELETIONS	BALANCE <u>12/31/00</u>
Land	<u>\$ 46,315</u>	<u>\$ 81,100</u>	<u>\$ -0-</u>	<u>\$ 127,415</u>
Buildings	\$ 169,351	\$ 8,817	\$ -0-	\$ 178,168
Capital lease assets	64,404	-0-	-0-	64,404
Equipment	335,179	15,518	39,419	311,278
Furniture and fixtures	12,648	163	-0-	12,811
Vehicles	135,353	33,320	-0-	168,673
Plant and facilities	<u>7,063,922</u>	<u>994,539</u>	<u>-0-</u>	<u>8,058,461</u>
Total	<u>\$7,780,857</u>	<u>\$1,052,357</u>	<u>\$ 39,419</u>	<u>\$8,793,795</u>
Less: Accumulated depreciation				2,569,591
Plant and facilities (net)				<u>\$6,224,204</u>

Depreciation expense was \$235,736 for 2000 and \$220,879 for 1999.

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 2000 and 1999

6. CHANGES IN LONG-TERM DEBT

The following is a summary of loan transactions of the Water District for the years ending December 31, 2000 and 1999:

	REVENUE BONDS	GENERAL OBLIGATION BONDS	TOTAL
Bonds payable at December 31, 1998	\$4,110,000	\$ 460,000	\$4,570,000
Bonds retired	<u>110,000</u>	<u>15,000</u>	<u>125,000</u>
Bonds payable at December 31, 1999	<u>\$4,000,000</u>	<u>\$ 445,000</u>	<u>\$4,445,000</u>
	REVENUE BONDS	GENERAL OBLIGATION BONDS	TOTAL
Bonds payable at December 31, 1999	\$4,000,000	\$ 445,000	\$4,445,000
Bonds retired	<u>115,000</u>	<u>16,000</u>	<u>131,000</u>
Bonds payable at December 31, 2000	<u>\$3,885,000</u>	<u>\$429,000</u>	<u>\$4,314,000</u>

Long-term debt at December 31, 2000, consists of two bond issues. General obligation bonds in the amount of \$429,000 bear interest of five per cent per annum. The 1995 Parity Bonds issued in the amount of \$3,885,000 bear interest at rates varying from 3.35 per cent to 8.75 per cent.

Repayment is to be made as follows:

A. \$4,225,000 REVENUE PARITY BONDS OF 1994

The bonds will mature on April 1 in the years and in the principal amounts from \$40,000 to \$195,000 and will bear interest from April 1, 1994, payable on April 1 and October 1 of each year, commencing October 1, 1994, at the rates per annum from 3.35% to 5.65%.

B. \$255,000 UNREFUNDED WATERWORKS REVENUE REFUNDING BONDS OF 1989

Interest on the bonds is payable semiannually on April 1st in the amounts varying from \$25,350 to \$22,625 through the year 1999 and are issued as fully registered certificated bonds each in the denomination of \$5,000 or any integral multiple thereof.

C. \$2,616,573 DEQ LOAN

The District has a loan commitment of up to \$9,000,000. Presently the loan is in the interim construction phase. The interim phase will conclude after May 15, 2000. At that time, the loan will be converted to permanent financing and the repayment term will be 20 years at 3.45% interest.

The annual requirements to amortize all long-term debt outstanding except the DEQ loan, at December 31, 2000, including interest of \$2,647,911 and at December 31, 1999, including interest of \$2,887,095 are as follows:

LIVINGSTON PARISH WARD TWO WATER DISTRICT

Notes to the Financial Statements, Continued

December 31, 2000 and 1999

<u>1999</u>	<u>REVENUE BONDS</u> 1994 <u>PARITY BONDS</u>		<u>GENERAL OBLIGATION BONDS</u>		
<u>YEAR ENDED</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2000	115,000	217,334	16,000	21,850	370,184
2001	120,000	211,898	17,000	21,025	369,923
2002	125,000	206,078	17,000	20,175	368,253
2003	135,000	199,703	18,000	19,300	372,003
2004	140,000	192,722	19,000	18,375	370,097
2005 Through					
Maturity	<u>3,365,000</u>	<u>1,629,936</u>	<u>358,000</u>	<u>128,700</u>	<u>5,481,636</u>
Total	<u>\$4,000,000</u>	<u>\$2,657,670</u>	<u>\$445,000</u>	<u>\$229,425</u>	<u>\$7,332,096</u>

<u>2000</u>	<u>REVENUE BONDS</u> 1994 <u>PARITY BONDS</u>		<u>GENERAL OBLIGATION BONDS</u>		
<u>YEAR ENDED</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2001	120,000	211,898	17,000	21,025	369,923
2002	125,000	206,078	17,000	20,175	368,253
2003	135,000	199,703	18,000	19,300	372,003
2004	140,000	192,722	19,000	18,375	370,097
2005	150,000	185,143	20,000	17,400	372,543
2006 Through					
Maturity	<u>3,215,000</u>	<u>1,444,792</u>	<u>338,000</u>	<u>111,300</u>	<u>5,109,092</u>
Total	<u>\$3,885,000</u>	<u>\$2,440,336</u>	<u>\$429,000</u>	<u>\$207,575</u>	<u>\$6,961,911</u>

On April 1, 1995, the District issued \$4,225,000 in Waterworks Revenue Bonds with an average interest rate of 5.8 percent to advance refund \$1,820,000 of outstanding 1989 series bonds with an average interest rate of 8.6 percent. The District purchased United States Government Securities valued at \$2,063,413 and deposited them into an irrevocable trust with an escrow agent to provide for all future debt service payments on the \$1,820,000 of 1989 series bonds. As a result, \$1,820,000 of the 1989 series bonds are considered to be defeased and the liability for the bonds has been removed from the District's books. \$255,000 of 1989 series bonds were not advance refunded and remain on the District's books.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$531,288. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2019 using the straight line method. The District completed the advance refunding to reduce its total debt service payments over the next 25 years by \$187,382.50 and to obtain economic gain of \$115,344.57.

7. CONTRIBUTED CAPITAL

Contributed capital is comprised of funding from a grant provided by the State of Louisiana in the amount of \$479,781.

LIVINGSTON PARISH WARD TWO WATER DISTRICT

Notes to the Financial Statements, Continued

December 31, 2000 and 1999

8. PER DIEM PAID TO BOARD MEMBERS

Board members are appointed by the Livingston Parish Council and serve at the pleasure of the Council. There are no set terms of office. Board members are paid \$60 per diem for each meeting they attend.

2000

<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>PER DIEM</u>
Theodore Graham - President 33580 Cain Market Road Walker, Louisiana 70785-4102 (225) 664-9189	15	\$900
Tyrus Cobb - Vice President 10660 Dunmark Road Denham Springs, Louisiana 70726-1113 (225) 664-9291	14	840
Stanley Spillman - Secretary-Treasurer P.O. Box 692 Watson, Louisiana 70786 (225) 665-2669	14	840
John Easterly 37917 La. Hwy. 16 Denham Springs, Louisiana 70726-0337 (225) 664-8923	15	900
Danny Turner 7805 Denham Drive Denham Springs, Louisiana 70726-1334 (225) 665-8029	4	<u>240</u>
	Total	<u>\$3,720</u>

1999

<u>BOARD MEMBER</u>	<u>MEETINGS ATTENDED</u>	<u>PER DIEM</u>
Theodore Graham - President 33580 Cain Market Road Walker, Louisiana 70785-4102 (225) 664-9189	13	\$ 780
Tyrus Cobb - Vice President 10660 Dunmark Road Denham Springs, Louisiana 70726-1113 (225) 664-9291	13	780

LIVINGSTON PARISH WARD TWO WATER DISTRICT
Notes to the Financial Statements, Continued
December 31, 2000 and 1999

Stanley Spillman - Secretary-Treasurer 33725 La. Hwy. 16 Denham Springs, Louisiana 70726-0969 (225) 665-2669	13	780
John Easterly 37917 La. Hwy. 16 Denham Springs, Louisiana 70726-0337 (225) 664-8923	12	720
Danny Turner 7805 Denham Drive Denham Springs, Louisiana 70726-1334 (225) 665-8029	12	<u>720</u>
	Total	<u>\$3,780</u>

9. **INCOME TAXES**

Ward Two Water District is exempt from all federal and state income taxes.

10. **LITIGATION**

According to legal counsel, Ward Two Water District is the defendant in a contract dispute in which a construction contractor claims additional monies are due in connection with a water line extension. The contractor is seeking a settlement \$450,000; however, according to the District's legal counsel, there is a relatively low likelihood of an outcome unfavorable to the Water District.

There is also a personal injury action brought as a class action alleging injury to users of the Ward two water system resulting from the presence of coliform bacteria in the water. According to Legal Council, there is a relatively low likelihood of an outcome unfavorable to the Water District.

11. **RETIREMENT PLAN**

Ward Two Water District does not belong to a retirement system; however, the District contributes to the Social Security System as required by law. The District adopted a self- employed retirement plan (SEP) during 1996. The District contributed \$10,528 into the SEP during 2000 and \$9,921 for 1999. Employees are fully vested when the contribution is made by the District.

SUPPLEMENTAL INFORMATION

LIVINGSTON PARISH WARD TWO WATER DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2000

I have audited the financial statements of Livingston Parish Ward Two Water District as of and for the year ended December 31, 2000, and have issued our report thereon dated March 23, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2000, resulted in an unqualified opinion.

Section I Summary of Auditor's Results

YES NO N/A

Financial Statements

Internal control over financial reporting:

Material weakness(es) **X**

Reportable condition(s) **X**

Noncompliance material to the financial statements **X**

Federal Awards

Internal control over major programs:

Material weakness(es) identified **X**

Reportable condition(s) identified **X**

Type of auditor's report on compliance for major programs **X**

Any findings required to be reported by Section 510(a) of Circular A-133 **X**

Identification of Major Programs:

CFDA Number(s) Name of Federal Program (or Cluster)

Not applicable

Dollar threshold used to distinguish between Type A and Type B Programs: \$ N/A

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? ☐ Yes ☐ No ☐ N/A

Section II Financial Statement Findings

Current Year Findings

No findings to report.

Prior Year Findings

No findings to report.

Section III Federal Award Findings and Questioned Costs

No findings to report.

LIVINGSTON PARISH WARD TWO WATER DISTRICT

MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended December 31, 2000

Section I-Internal Control and Compliance Material to the Financial Statements:

No findings reported.

Section II-Internal Control and Compliance Material to Federal Awards:

No findings reported.

Section III-Management Letter:

No findings reported.